

34-1010

**Berlin Township  
County of Ionia, Michigan**

**Financial Statements  
and Independent Auditors' Report**

**Year Ended March 31, 2004**

# Auditing Procedures Report

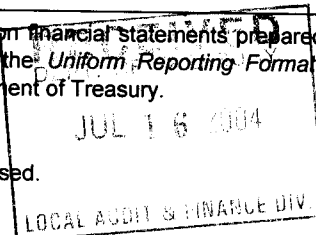
Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Berlin Township</b>	County <b>Ionia</b>
Audit Date <b>3/31/04</b>	Opinion Date <b>5/7/04</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.



We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

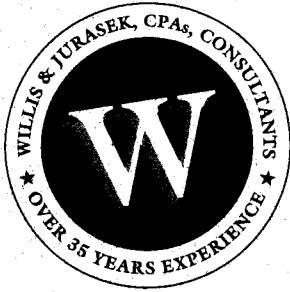
## We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Willis &amp; Jurasek, P.C.</b>			
Street Address <b>2545 Spring Arbor Road</b>	City <b>Jackson</b>	State <b>MI</b>	ZIP <b>49203</b>
Accountant Signature <i>Willis &amp; Jurasek, P.C.</i>		Date	

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### Independent Auditors' Report

To the Governing Body of  
Berlin Township

We have audited the accompanying general purpose financial statements of Berlin Township, as of and for the year ended March 31, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Berlin Township, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Berlin Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

May 7, 2004

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**WILLIS & JURASEK, P.C.**

2545 Spring Arbor Road  
Post Office Box 39  
Jackson, Michigan 49204-0039

**Berlin Township**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**March 31, 2004**

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>
	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Trust and Agency</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 673,161	\$ 191,083	\$ 415,082	\$ 14,780
Receivables:				
Taxes	3,264	2,780	-	-
Other	-	-	29,775	-
Special assessments	-	86,394	-	-
Due from other funds	2,690	-	-	-
Deferred charges	-	-	4,417	-
Restricted assets	-	-	-	-
Land and buildings	-	-	-	-
Machinery and equipment	-	-	-	-
Fixed assets (net of accumulated depreciation)	-	-	932,261	-
Amount available in debt service funds	-	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-	-
	<u>\$ 679,115</u>	<u>\$ 280,257</u>	<u>\$ 1,381,535</u>	<u>\$ 14,780</u>
<b><u>Liabilities and Fund Equity</u></b>				
Liabilities:				
Accounts payable	\$ 10,608	\$ -	\$ 7,900	\$ -
Due to other funds	-	-	-	2,690
Deposits	-	-	-	-
Deferred revenue	-	86,394	-	-
Bonds payable	-	-	-	-
Revenue bonds payable	-	-	180,000	-
Total liabilities	<u>10,608</u>	<u>86,394</u>	<u>187,900</u>	<u>2,690</u>
Fund Equity:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	975,604	-
Retained earnings:				
Reserved	-	-	191,212	-
Unreserved	-	-	26,819	-
Fund balance:				
Designated for cemetery	3,181	-	-	12,090
Designated for light district	3,017	-	-	-
Designated for other	690	-	-	-
Designated for debt service	-	193,863	-	-
Unreserved; undesignated	661,619	-	-	-
Total fund equity	<u>668,507</u>	<u>193,863</u>	<u>1,193,635</u>	<u>12,090</u>
	<u>\$ 679,115</u>	<u>\$ 280,257</u>	<u>\$ 1,381,535</u>	<u>\$ 14,780</u>

See Notes to Financial Statements.

**Berlin Township**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**March 31, 2004**

Account Groups		Total
General Fixed Assets	General Long-Term Debt	(Memorandum Only)
\$ -	\$ -	\$ 1,294,106
-	-	-
-	-	6,044
-	-	29,775
-	-	86,394
-	-	2,690
-	-	4,417
-	-	-
30,726	-	30,726
207,839	-	207,839
-	-	932,281
-	105,000	105,000
-	-	-
<u>\$ 238,565</u>	<u>\$ 105,000</u>	<u>\$ 2,699,252</u>
\$ -	\$ -	\$ 18,508
-	-	2,690
-	-	-
-	-	86,394
-	105,000	105,000
-	-	180,000
-	105,000	392,592
238,565	-	238,565
-	-	975,604
-	-	191,212
-	-	26,819
-	-	15,271
-	-	3,017
-	-	690
-	-	193,863
-	-	661,619
<u>238,565</u>	-	<u>2,306,660</u>
<u>\$ 238,565</u>	<u>\$ 105,000</u>	<u>\$ 2,699,252</u>

See Notes to Financial Statements.

**Berlin Township**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - All Governmental Fund Types**  
**Year Ended March 31, 2004**

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>(Memorandum Only)</u>
<b>Revenues:</b>			
Taxes and special assessments	\$ 55,914	\$ 41,499	\$ 97,413
Licenses and permits	1,083	-	1,083
State owned land receipts	314	-	314
State shared revenue	191,427	-	191,427
Interest	4,963	11,154	16,117
Other	13,089	-	13,089
Total revenues	<u>266,790</u>	<u>52,653</u>	<u>319,443</u>
<b>Expenditures:</b>			
General government	67,170	-	67,170
Public safety	35,608	-	35,608
Highways, streets and transportation	53,873	-	53,873
Other	16,756	-	16,756
Debt service - principal and interest	-	163,235	163,235
Total expenditures	<u>173,407</u>	<u>163,235</u>	<u>336,642</u>
<b>Net Change in Fund Balances</b>	93,383	(110,582)	(17,199)
<b>Fund Balances - Beginning of Year</b>	<u>575,124</u>	<u>304,445</u>	<u>879,569</u>
<b>Fund Balances - End of Year</b>	<u>\$ 668,507</u>	<u>\$ 193,863</u>	<u>\$ 862,370</u>

**Berlin Township**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
**Year Ended March 31, 2004**

	<b>General</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Property taxes	\$ 57,300	\$ 55,914	\$ (1,386)
License and permits	150	1,083	933
State owned land receipts	314	314	-
State shared revenue	185,800	191,427	5,627
Interest	1,600	4,963	3,363
Other	9,000	13,089	4,089
Total revenues	<u>254,164</u>	<u>266,790</u>	<u>12,626</u>
<b>Expenditures:</b>			
Current:			
General government	73,000	67,170	5,830
Public safety	68,800	35,608	33,192
Highways, streets and transportation	206,000	53,873	152,127
Other	22,200	16,756	5,444
Total expenditures	<u>370,000</u>	<u>173,407</u>	<u>196,593</u>
<b>Net Change in Fund Balances</b>	(115,836)	93,383	209,219
<b>Fund Balances - Beginning of Year</b>	<u>575,124</u>	<u>575,124</u>	<u>-</u>
<b>Fund Balances - End of Year</b>	<u>\$ 459,288</u>	<u>\$ 668,507</u>	<u>\$ 209,219</u>



**Berlin Township**  
**Combined Statement of Revenues, Expenses and**  
**Changes in Retained Earnings/Fund Balances**  
**All Proprietary Fund Types and Similar Trust Funds**  
**Year Ended March 31, 2004**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise Fund</u>	<u>Non- Expendable Trust Funds</u>	
<b>Operating Revenues:</b>			
Charges for services	\$ 102,767	\$ -	\$ 102,767
Total operating revenues	102,767	-	102,767
<b>Operating Expenses</b>	<u>84,917</u>	<u>-</u>	<u>84,917</u>
<b>Operating Income</b>	<u>17,850</u>	<u>-</u>	<u>17,850</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	6,347	133	6,480
Interest expense	<u>(12,802)</u>	<u>-</u>	<u>(12,802)</u>
Total non-operating revenues (expenses)	<u>(6,455)</u>	<u>133</u>	<u>(6,322)</u>
<b>Net Income</b>	11,395	133	11,528
<b>Retained Earnings/Fund Balances - Beginning of Year</b>	<u>206,636</u>	<u>11,957</u>	<u>218,593</u>
<b>Retained Earnings/Fund Balances - End of Year</b>	<u>\$ 218,031</u>	<u>\$ 12,090</u>	<u>\$ 230,121</u>

**Berlin Township**  
 Combined Statement of Cash Flows  
 All Proprietary Fund Types and Similar Trust Funds  
 Year Ended March 31, 2004

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust Funds</u>	
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers	\$ 99,688	\$ 0	\$ 99,688
Cash payments to suppliers for goods and services	(57,433)	0	(57,433)
Net cash provided by operating activities	<u>42,255</u>	<u>0</u>	<u>42,255</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Principal and interest payments on debt	(27,802)	0	(27,802)
<b>Cash Flows From Investing Activities:</b>			
Interest and dividends on investments	<u>6,347</u>	<u>133</u>	<u>6,480</u>
<b>Net Increase in Cash and Cash Equivalents</b>	20,800	133	20,933
<b>Cash and Cash Equivalents – Beginning of Year</b>	<u>394,282</u>	<u>11,957</u>	<u>406,239</u>
<b>Cash and Cash Equivalents – End of Year</b>	<u>\$ 415,082</u>	<u>\$ 12,090</u>	<u>\$ 427,172</u>

See Notes to Financial Statements.

**Berlin Township**  
Combined Schedule of Reconciliation of Operating Income to  
Net Cash Provided by Operating Activities  
All Proprietary Fund Types  
Year Ended March 31, 2004

**Proprietary Fund Types**

**Enterprise**

<b>Operating income</b>	<b>\$ <u>17,850</u></b>
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation and amortization	25,078
Change in assets and liabilities:	
Increase in accounts receivable	(3,079)
Decrease in accounts payable	<u>2,406</u>
Total adjustments	<u>24,405</u>
<b>Net Cash Provided by Operating Activities</b>	<b>\$ <u>42,255</u></b>

**Disclosure of accounting policy:**

For purposes of the statement of cash flows, the Sewer Fund considers all highly-liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**Berlin Township**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies**

The Township operates under an elected Board of five members and provides various services to its residents in many areas including public safety, community enrichment, and development and human services.

The accounting policies of the Township conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**Reporting Entity**

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the entity does not contain component units.

**Fund Accounting**

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provision. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not directly in those funds.

The financial activities of the Township are recorded in separate fund and accounts groups categorized as follows:

**Governmental Fund Types**

**General Fund** - This fund is used to account for all financial resources except those provided for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Proprietary Funds**

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Berlin Township**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

Fund Accounting (Continued)

Proprietary Funds (Continued)

Fiduciary Fund Types - These Funds, used to account for assets held in trust or as an agent for others, include the Current Tax Collection Fund and Cemetery Trust Fund.

Account Groups

General Fixed Account Group - This Account Group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

Basis of Accounting

The modified accrual basis of accounting is used by all Governmental Funds, Agency Funds and Expendable Trust Funds. Revenue and other sources are recognized in the accounting period in which they became susceptible to accrual - that is when they became both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related liability is incurred. Modifications from the accrual basis are as follows:

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county's delinquent tax rolls.

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.

Normally, expenditures are not divided between years by the recording of prepaid expenses.

Budget and Budgetary Accounting

The Township follows these procedures in establishing budgetary data reflected in the financial statements:

- a. The Township submits a proposed operating budget for the fiscal year commencing April 1.
- b. The public hearing is conducted by the Township to obtain taxpayer comments.
- c. The budget is then legally enacted through passage of the appropriations act.
- d. The budget is adopted on the governmental activity basis as reported on the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, which is found on page 4.
- e. The budget for the various funds is prepared on a basis consistent with generally accepted accounting principles.

**Berlin Township**  
Notes to Financial Statements

**1. Summary of Significant Accounting Policies (Continued)**

**Property, Plant and Equipment**

General fixed assets are recorded at historical cost or, if donated, at the estimated fair market value at the date of acquisition. In assembling the General Fixed Assets Account Group for the first time, certain fixed asset costs were not available; historical costs of these assets at the dates of acquisitions have been estimated. Expenditures of the governmental fund types which materially extend the useful life of existing fixed assets are capitalized.

Infrastructure ("public domain") fixed assets such as roads and bridges are not capitalized. Interest incurred during construction is not capitalized and depreciation is not provided on general fixed assets.

**Fund Equity and Fund Balance Reservations**

Fund Equity - Fund equity represents the difference between fund assets and fund liabilities. The governmental and fiduciary funds' fund equity is called "fund balance."

Fund Balance Reservations - Fund balances for all governmental funds are classified as either reserved or unreserved. Reserved fund balances reflect either: 1) funds legally segregated for a specific use or 2) assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for expenditure for the general purpose of the fund.

**Revenues and Expenditures**

Revenues - Revenues are reported by source. General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance.

Expenditures - Expenditures are reported by character. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies and services. Capital outlay includes expenditures for real property or infrastructure (e.g., highways).

**Total Column on Combined Statements**

The total column on the Combined Statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Berlin Township**  
Notes to Financial Statements

**2. Cash and Certificates of Deposit**

Deposits are carried at cost. Deposits of the Township are at three banks in the name of Berlin Township. Michigan Compiled Laws, section 129.91 authorizes the Township to deposit and invest in the accounts of Federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of the United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.

The Balance Sheet caption, "Cash" includes demand accounts and certificates of deposit.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's cash deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>	<u>Bank Amount</u>
Insured (FDIC)	\$ 103,871	\$ 103,871
Uncollateralized and Uninsured	<u>1,190,235</u>	<u>1,191,997</u>
Total deposits	<u>\$1,294,106</u>	<u>\$1,295,868</u>

**3. Delinquent Property Taxes Receivable**

The delinquent real property taxes of the Township are purchased by the County of Ionia. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these property taxes. It is anticipated this will take place in May 2004. These taxes have been recorded as revenue for the current year.

**4. Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ <u>2,690</u>	Tax	\$ <u>2,690</u>

**Berlin Township**  
Notes to Financial Statements

**5. Changes in General Fixed Assets**

A summary of Changes in General Fixed Assets follows:

	<u>04/01/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>03/31/04</u>
Voting machines	\$ 6,485	\$ 0	\$ 0	\$ 6,485
Adding machines	185	0	0	185
Typewriters	217	0	0	217
Electric calculators	339	0	0	339
Desk	50	0	0	50
Filing cabinets	976	0	0	976
Safe	75	0	0	75
Copiers	2,600	0	0	2,600
Computer	7,394	0	0	7,394
Software	2,520	0	0	2,520
Land	4,250	0	0	4,250
Building and site*	26,476	0	0	26,476
Fire Equipment	<u>186,998</u>	<u>0</u>	<u>0</u>	<u>186,998</u>
Total	<u>\$238,565</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$238,565</u>

\* Items are jointly owned by Berlin and Orange Townships.

**6. Long-Term Debt**

The Township issued \$955,000 of special assessment bonds in 1991 to provide funds for the construction of the sewer project. The debt is recorded in the Long-Term Debt Account Group.

**1991 Special Assessment Bonds**

Dated: October 1, 1991  
Principal: \$995,000  
Interest rate: (See schedule below)

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Principal &amp; Interest</u>	<u>Annual Debt Service</u>
05/01/04	\$ -	6.700	\$ 3,518	\$ 3,518	\$ -
11/01/04	40,000	6.700	3,517	43,517	47,035
05/01/05		6.700	2,178	2,178	
11/01/05	35,000	6.700	2,177	37,177	39,355
05/01/06		6.700	1,005	1,005	
11/01/06	<u>30,000</u>	6.700	<u>1,005</u>	<u>31,005</u>	<u>32,010</u>
TOTAL	<u>\$ 105,000</u>		<u>\$ 13,400</u>	<u>\$ 118,400</u>	<u>\$ 118,400</u>



**Berlin Township**  
Notes to Financial Statements

**7. Revenue Bonds**

The Township issued \$310,000 of revenue bonds to provide funds for the construction of the sewer project. Income derived from the constructed assets will be used to repay the revenue bonds and the debt is recorded in the Sewer Fund.

**1991 Revenue Bonds**

Dated: December 19, 1991  
Principal: \$310,000  
Interest rate: (See schedule below)

<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Interest</u>	<u>Total Principal &amp; Interest</u>	<u>Annual Debt Service</u>
05/01/04	\$ 15,000	6.600	\$ 6,157	\$ 21,157	
11/01/04			5,662	5,662	\$ 26,819
05/01/05	20,000	6.700	5,662	25,662	
11/01/05			4,992	4,992	30,654
05/01/06	20,000	6.800	4,992	24,992	
11/01/06			4,312	4,312	29,304
05/01/07	20,000	6.900	4,312	24,312	
11/01/07			3,622	3,622	27,934
05/01/08	25,000	6.900	3,622	28,622	
11/01/08			2,760	2,760	31,382
05/01/09	25,000	6.900	2,760	27,760	
11/01/09			1,897	1,897	29,657
05/01/10	25,000	6.900	1,897	26,897	
11/01/10			1,035	1,035	27,932
05/01/11	<u>30,000</u>	6.900	1,035	31,035	
11/01/11			<u>0</u>	<u>0</u>	<u>31,035</u>
<b>TOTAL</b>	<b><u>\$180,000</u></b>		<b><u>\$ 54,717</u></b>	<b><u>\$234,717</u></b>	<b><u>\$234,717</u></b>

**8. Property Taxes**

The Township assessed 1.0 mills for operating. The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through March 1. All property taxes not paid by March 1 are deemed delinquent.

**9. Unemployment Insurance**

The Township uses the direct contribution method of paying unemployment insurance. Charges are accumulated during the fiscal year by the Michigan Employment Security Commission and the Township is billed for the exact amount of benefits paid out.

**Berlin Township**  
Notes to Financial Statements

**10. Fire Department**

During the fiscal year 1973 - 1974, the townships of Berlin and Orange entered into an agreement to form the Berlin-Orange Fire Department to be governed by three members of each township - two of which must be township officers. The agreement was extended for another ten years in 1994. Total expenses paid for the Fire Department for this year were \$25,000.

## **Supplemental Information**

**Berlin Township**  
**General Fund**  
**Comparative Balance Sheets**  
**March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b><u>Assets</u></b>		
Cash	\$ 673,161	\$ 571,322
Taxes receivable	3,264	3,205
Due from other funds	<u>2,690</u>	<u>1,247</u>
	<u>\$ 679,115</u>	<u>\$ 575,774</u>
<b><u>Liabilities and Fund Balance</u></b>		
<b>Liabilities:</b>		
Accounts payable	\$ 10,608	\$ -
Escrow	<u>-</u>	<u>650</u>
	<u>10,608</u>	<u>650</u>
<b>Fund Balance:</b>		
Designated for cemetery	3,181	2,990
Designated for light district	3,017	2,886
Designated for other	690	40
Unreserved; undesignated	<u>661,619</u>	<u>569,208</u>
Total fund balance	<u>668,507</u>	<u>575,124</u>
	<u>\$ 679,115</u>	<u>\$ 575,774</u>

**Berlin Township**  
**General Fund**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget and Actual**  
**Year Ended March 31, 2004**  
(With Comparative Actual Amounts for the Year Ended March 31, 2003)

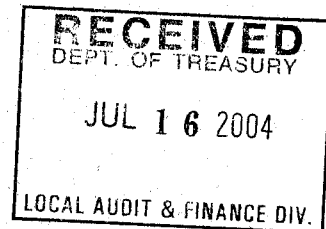
	<u>2004</u>		<u>2003</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
<b>Revenues:</b>				
Property taxes	\$ 57,300	\$ 55,914	\$ (1,386)	\$ 54,613
License and permits	150	1,083	933	375
State owned land receipts	314	314	-	314
State shared revenue	185,800	191,427	5,627	191,344
Interest	1,600	4,963	3,363	4,096
Other	9,000	13,089	4,089	14,018
Total revenues	<u>254,164</u>	<u>266,790</u>	<u>12,626</u>	<u>264,760</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Legislative	10,000	8,063	1,937	8,517
Supervisor	12,000	9,880	2,120	12,603
Elections	1,000	-	1,000	2,305
Legal and audit	8,000	6,218	1,782	4,831
Clerk	12,000	11,405	595	11,444
Board of Review	1,000	1,020	(20)	650
Treasurer	15,000	16,795	(1,795)	12,586
Assessor	12,000	11,489	511	11,015
Cemetery	2,000	2,300	(300)	1,000
Total general government	<u>73,000</u>	<u>67,170</u>	<u>5,830</u>	<u>64,951</u>
<b>Public safety:</b>				
Fire	56,600	25,000	31,600	58,648
Ambulance	12,200	10,608	1,592	9,138
Total public safety	<u>68,800</u>	<u>35,608</u>	<u>33,192</u>	<u>67,786</u>
<b>Highways, streets and transportation:</b>				
Roads	200,000	48,453	151,547	75,654
Drain at large	3,500	3,222	278	3,075
Light district	2,500	2,198	302	2,013
Total highways, streets and transportation	<u>206,000</u>	<u>53,873</u>	<u>152,127</u>	<u>80,742</u>
<b>Other</b>	<u>22,200</u>	<u>16,756</u>	<u>5,444</u>	<u>14,457</u>
Total expenditures	<u>370,000</u>	<u>173,407</u>	<u>196,593</u>	<u>227,936</u>
<b>Revenue Over (Under) Expenditures</b>	<u>(115,836)</u>	<u>93,383</u>	<u>209,219</u>	<u>36,824</u>
<b>Fund Balances - Beginning of Year</b>	<u>575,124</u>	<u>575,124</u>	<u>-</u>	<u>538,300</u>
<b>Fund Balances - End of Year</b>	<u>\$ 459,288</u>	<u>\$ 668,507</u>	<u>\$ 209,219</u>	<u>\$ 575,124</u>

**Berlin Township**  
Statement of Changes in  
Assets and Liabilities – Current Tax Collection Fund  
Year Ended March 31, 2004

	<b>Current Tax Collection Fund</b>			
	<u>Balance</u> <u>04/01/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03/31/04</u>
<b><u>Assets</u></b>				
Cash	\$ <u>1,247</u>	\$ <u>1,622,425</u>	\$ <u>1,620,982</u>	\$ <u>2,690</u>
<b><u>Liabilities</u></b>				
Due to other funds	\$ 1,247	\$ 53,059	\$ 51,616	\$ 2,690
Due to County	0	638,019	638,019	0
Due to schools	<u>0</u>	<u>931,347</u>	<u>931,347</u>	<u>0</u>
	\$ <u>1,247</u>	\$ <u>1,622,425</u>	\$ <u>1,620,982</u>	\$ <u>2,690</u>



May 7, 2004



To the Governing Body  
of Berlin Township

We have audited the financial statements of Berlin Township for the year ended March 31, 2004, and have issued our report thereon dated May 7, 2004. In planning and performing our audit of the general-purpose financial statements of the Township, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control.

The Management of the Township is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide the Council with a reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Council's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion of the system of internal accounting control of the Township taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement proposal, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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**WILLIS & JURASEK, P.C.**

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E-mail: [willis@willispc.com](mailto:willis@willispc.com)  
Web site: [www.willispc.com](http://www.willispc.com)

### Our Responsibility under Generally Accepted Auditing Standards (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded in the current year.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.



#### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

#### Comment and Recommendations

##### Segregation of Duties:

Substantially all of the accounting and financial management functions of the Township are performed by two individuals, the Township Clerk and the Township Treasurer, both of which are elected positions. While the size and resources of the Township are limited in terms of providing adequate separation of duties, the Board should be mindful of this condition and, where possible, establish reasonable control procedures.

#### Government Accounting Standards Board – New Reporting Model

The Governmental Accounting Standards Board has recently issued Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. The new reporting model will significantly impact government's financial statement presentation. Under the new reporting model, general-purpose governments must present the following basic financial statements and required supplementary information:

- Management's discussion and analysis (MD&A).
- Government-wide financial statements.
- Fund financial statements.
- Notes to the financial statements.
- Required supplementary information, including budgetary comparison schedules and other data required by previous GASB pronouncements.

The MD&A is a narrative report prepared in an easy-to-read format by the government's financial manager. It should:

- Introduce the basic financial statements.
- Provide an analytical overview of the government's financial manager's knowledge of the transaction, event, and conditions reflected in the financial report and the fiscal policies that control the government's operations.

GASB No. 34 requires MD&A to include, at a minimum:

- A brief discussion of the relationships of the basic financial statements to each other and the major differences in the information provided in each.
- A comparison in condensed form of information presented in the government-wide financial statements for the current and prior year.
- An analysis of significant changes that occurred in individual funds and any limitations that might affect the availability of fund resources in the future.
- An analysis of significant budget variances (original vs. final budget and final budget vs. actual results) for the general fund or its equivalent, including reasons for those variances that may affect future services or liquidity.
- A summary of significant capital asset and long-term debt activity with a discussion of commitments and limitations that may affect future financing of planned facilities or services.
- A description of facts, conditions, or decisions of which management was aware on or before the audit report date that are expected to have a significant impact on financial position or results of operations after the reporting date.

The Local Audit Division of the Treasury Department of the State of Michigan has determined that omission of the MD & A, the Government-Wide Statements and Infrastructure Reporting will not result in any sanction or in a request for remediation.

The implementation date for the new reporting model is in phases depending on the government's revenues. For the Township, the new standard will be effective for the year ending March 31, 2004. The Township should consider now which of the areas of the new standard need to be addressed such as fixed assets and determine the areas that could be taken care of before the end of the next fiscal year.

#### Computerization

Currently you are using the software for the general fund. The Township could consider setting up all funds and eliminate all manual ledgers currently being used.

#### Audit Report Distribution

We have mailed the appropriate copies of the audit reports to the State of Michigan. No further filing is required of you for this purpose.

This information is intended solely for the use of the Township Council and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the Township and its staff for the cooperation extended to us during our audit and would be happy to discuss any of the comments in detail if you so desire.

Sincerely,

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.